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KEEPING THE POWER ON: EXAMINING THE IMPACT OF SOARING ENERGY COSTS ON THE ELDERLY

HEARING

BEFORE THE

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KEEPING THE POWER ON: EXAMINING THE IMPACT OF SOARING ENERGY COSTS ON THE ELDERLY

WEDNESDAY, JUNE 15, 2005

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC.

The committee met, pursuant to notice, at 3:04 p.m., in room 215, Hart Senate Office Building, Hon. Gordon H. Smith (chairman of the committee) presiding.

Present: Senators Smith, Talent, Craig, Burns, Kohl and Carper.

OPENING STATEMENT OF SENATOR GORDON H. SMITH, CHAIRMAN

The CHAIRMAN. Good afternoon, ladies and gentlemen. We thank you all for attending today's Aging Committee hearing entitled "Keeping the Power On: Examining the Impact of Soaring Energy Costs on the Elderly."

The seemingly exponential rise in energy costs, especially as we head into the summer months, is a critical issue facing our Nation today. Prices of natural gas, oil and electricity impact each and every one of us no matter how old we are and how much we pay for everything from gasoline to countless everyday goods and services.

The cost of heating and cooling our homes and fueling our automobiles has reached historic levels during this current trend of steadily rising energy prices, and it really does impact folks on fixed incomes, specifically many of our elderly. Compared with prices from 1999—2001, this past winter's natural gas prices increased 38 percent. The cost of propane increased 39 percent, and heating oil prices increased 63 percent. In the past year alone natural gas prices have shot up 25 percent. High energy prices are being felt at the pump as a gallon of gasoline has rocketed past $2.00 with no signs of coming down in the foreseeable further.

While soaring prices affect all Americans, as I said, our seniors are being hardest hit. Elderly citizens, a large percentage of whom live fixed incomes, are feeling the financial impact of high-cost energy more than any other segment of our society. These individuals and households spend a significant percentage of their income on energy bills, and in extreme cases, seniors are paying as much as 35 percent of their annual income toward these nondiscretionary and critical expenses. As a result of this high-energy burden, many elderly in our society must choose between heating and cooling

their homes or purchasing essential medications or foods. Sometimes the situation is much graver, when the choice boils down to paying for energy or going hungry.

Clearly something needs to be done to help our low-income elderly population make ends meet as we search for solutions to this ever-worsening problem. While passage of a comprehensive energy policy would better manage America's long-term energy needs, the question still remains: what can we do in the short run to alleviate the financial disastrous effects of skyrocketing energy prices that they are having on our senior citizens?

In the Coos-Curry County area of Oregon, 60 percent of seniors receiving assistance are struggling to pay their utility bills or pay for their medications. Households in this area of my home State have experienced an overall increase in the price of their utilities of up to 40 percent from last year, and similar examples and statistics can be found all across the country and I am sure the case is the same in Wisconsin or in Idaho.

The Low-Income Home Energy Assistance Program certainly does make a difference. LIHEAP assists many low-income families with paying their utility bills and serves as a vital safety net for households that cannot afford a residential energy cost to keep their home warm in the winter or cool in the summer. Higher energy costs have resulted in an even greater increased need for energy assistance among low-income seniors.

Transportation is another area that is heavily impacted by the cost of energy. Affordable transportation is important for the elderly to maintain their independence and enable them to engage in everyday activities such as attending medical appointments, picking up groceries and visiting grandchildren. With gasoline prices surpassing $2.00 per gallon, many elderly are forced to curtail driving as they can no longer afford to pay for a tank of gas.

Moreover, seniors are being further squeezed as high gas prices are coupled with an economic climate where local governments are curtailing services or increasing the price of public transportation services.

Today's hearing will focus on the impact that high energy prices are having on America's elderly population and how low-income seniors' energy assistance needs can best be met. This hearing is also timely in that we are debating and voting on an energy bill on the floor of the Senate as we speak.

Our expert witnesses will talk about their experiences with these issues and how they are helping our elderly population manage with the limited resources that are available to them. I am especially pleased the Mr. Jim Slusher of the Mid Columbia Community Action Council in the great State of Oregon is with us today. Mr. Slusher is here to discuss the impact high-energy costs are having on the ability to provide energy assistance to low-income seniors in Oregon and how energy prices have impacted the demand for assistance.

I look forward to hearing the testimony from all of our witnesses on these issues that are so important to our senior population.

With that, I will turn to my colleague, Senator Kohl, for his opening statement, and then Senator Craig of Idaho for his as well.

Senator Kohl.

OPENING STATEMENT OF SENATOR HERB KOHL

Senator KOHL. Mr. Chairman, we thank you for calling this hearing today. As the Senate starts work on a comprehensive energy bill this week, this hearing gives us an opportunity to learn about the impact of high gas and energy prices on our Nation's seniors.

Last year the National Energy Assistance Directors Association confirmed that many seniors either turn their heat down to a dangerous level in the winter, or even skip taking prescription drugs in order to pay their utility bills. In addition, increased energy prices are felt by all consumers who have to pay more for manufactured goods and basic staples.

For the past 24 years the Federal Government has attempted to provide financial help to low-income families and seniors who cannot pay their utility bills through the program known as Low-Income Home Energy Assistance Program or LIHEAP. Unfortunately, as demand for this assistance has increased, energy prices have reached records highs, the administration has not provided the funding necessary to serve those who need it the most. Between 2003 and 2004 LIHEAP payments to households decreased by approximately 30 percent. In the past the LIHEAP program was able to pay between 45 and 50 percent of a person's utility bill if they were eligible, but now the program can only cover between 25 and 30 percent of households' energy cost.

Unfortunately, LIHEAP has always faced significant funding shortfalls going back beyond this administration. Funding is only increased from 1.8 billion in 1982 when the program was initiated to 2.3 billion here in 2005. Today the buying power of LIHEAP is roughly half of what it was back in 1982. In fact, because of the reduced buying power current funding levels provide only enough funding to help 17 percent of LIHEAP eligible enrollees. Yet even if LIHEAP's funding was adjusted for inflation to $3.6 billion today, it would still not be enough to provide assistance to all eligible households.

Clearly we need to do more if we are serious about helping low-income families with energy costs. This brings us to the energy bill that is being considered on the floor. Comprehensive energy legislation has come up in each of the last 3 congresses, but has died because of controversy over different provisions. While I am pleased that the prospects for final passage of this legislation are better than they have been in the past, I am troubled by the fact that this bill is not doing more to help consumers who are facing higher energy prices.

That being said, we are happy to be here today. We are looking forward to our witnesses and their testimony. We are looking forward to hearing more about high-energy prices and their impact on older Americans.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Kohl.

Senator Craig.

OPENING STATEMENT OF SENATOR LARRY E. CRAIG

Senator CRAIG. Mr. Chairman, thank you for holding this hearing. I agree with both you and Senator Kohl. Its timing is impeccable as we debate a national energy policy on the floor.

There is no question we have to address in part the cause of rising energy costs to all of our consuming public, but that portion of our public that largely lives on fixed and very limited incomes obviously feel the impact of higher-energy costs much greater as you both have well expressed.

Of course, trying to help with LIHEAP and keeping it currently funded is ever more important as we move into the hot summer months. To some air conditioning is life providing, and we know that, and we have heard of those tragic situations where the air conditioner could not be repaired, did not exist, or they simply could not deal with the heat, and they lost their lives. That is a tragedy played out in some of our cities that should not have to happen, but it does.

Dealing with this issue is important. Building a record as we work our way through a national energy policy and as we get to the appropriations on the Health and Human Services Subcommittee of Appropriations, where Herb and I serve, that will deal with these issues and with LIHEAP funding is ever more important.

The CHAIRMAN. Senator Burns, welcome.

OPENING STATEMENT OF SENATOR CONRAD BURNS

Senator BURNS. Thank you very much, Mr. Chairman, and thank you for talking about energy. I think it is pretty timely, as we are into an energy bill which we hope will maybe relieve some of the strain that we have.

I was struck by a report that came out from the Department of Energy where the elderly right now are paying about 35 percent of their income on energy costs, and to folks that are on these fairly restricted retirement incomes this is just terrible. They not only get hit in a couple places, transportation, especially in my State of Montana, where I have 14 counties that have no doctors or offer health care. So you have transportation costs plus electricity costs.

I realize that our electricity is maybe not as high in cost as other States, but nonetheless it has gone up recently, and we look at that and we try to figure out ways to soften the landing, so to speak, when we talk about energy cost. We do not talk about air conditioning in Montana all that much, but we talk about long winters and heating costs and transportation costs. So this hearing is important.

It is also important that we work on our energy bill to where we can get some of these costs under control, and either through a larger supply or in some program that is offered by the Federal Government to cushion the increases that we have experienced in the last 4 or 5 years.

It looks like gasoline prices are not going to go below 2 bucks until 2006. Now, any time anybody wants to forecast what prices are going to do, you are either a damn fool or a weather man, but nonetheless all indicators are going that way and we have to do

something in order to blunt the increases that befell these people that are on fixed incomes.

Thank you for holding the hearing and I look forward to the testimony. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Burns.

We are very honored to have with us Margot Anderson, director of Energy Markets and End Use. She is with the Energy Information Administration here in Washington. Ms. Anderson, we thank you for being here. We invite your testimony now.

STATEMENT OF MARGOT ANDERSON, DIRECTOR, OFFICE OF ENERGY MARKETS AND END USE ENERGY INFORMATION ADMINISTRATION, U.S. DEPARTMENT OF ENERGY

Ms. ANDERSON. Mr. Chairman and members of the committee, I do appreciate the opportunity to appear before you today to discuss the outlook for energy prices and to examine their impact on the elderly population.

The Energy Information Administration is an independent, statistical and analytic agency within the Department Of Energy. We do not take positions on policy issues, but we do produce data, analyses and forecasts that are meant to assist policymakers.

Our views are strictly those of EIA and should not be construed as representing those at the Department of Energy or of the Administration.

First I want to discuss the recent and projected energy prices and expenditures based on our most recent Short-Term Energy Outlook, which was released June 7th, and we have copies here for you. Then I would like to address consumption and expenditure patterns associated with elderly households.

Since January 2005, monthly average crude oil prices, as measured by the price of West Texas Intermediate Crude Oil, have ranged between $46 a barrel and $54 per barrel. EIA predicts that crude oil prices will average $52 a barrel during the remainder of 2005 and $54 a barrel in 2006. If our prediction holds, prices in 2006 will more than double what they were in 2001.

Several factors are contributing to these high crude oil prices. First, worldwide petroleum demand growth is projected to remain strong during 2005 and 2006. Second, projected growth in non-OPEC supplies is not expected to accommodate worldwide demand growth. Third, worldwide spare crude oil production capacity has been recently diminished. Fourth, downstream sectors such as refining and shipping are expected to remain tight. Finally, geo-political risks, such as the continued insurgency in Iraq, are expected to keep the level of uncertainty in world oil markets high.

Heating and gasoline prices closely follow crude oil prices. In 2005 heating oil prices are expected to average $1.91 per gallon, compared to $1.22 in 2001. Average heating oil expenditures per household were $719 per year in 2001, and are projected to climb to $1,143 in 2006. We predict gasoline prices will stay above $2.00 per gallon through 2006, compared with $1.43 in 2001. Between 2001 and 2006 expenditures for gasoline are expected to increase from $1,300 per household a year to $2,088 per household.

Natural gas prices have also been affected by changes in the world oil market, but to a lesser extent than gasoline and heating

oil prices. While natural gas spot prices recently fell, the natural gas market is likely to tighten over the next few months as the summer cooling demand picks up. Prices are projected to continue to increase as the winter heating season boosts natural gas demand.

Electricity prices and expenditures are expected to change less over time compared with oil and natural gas. As is the case for all Americans, direct energy expenditures for the elderly, defined here as those age 65 and over, are comprised of the energy costs for running the household—that would be heating and cooling—and energy cost for transportation fuel.

There are also indirect expenditures embodied in the energy component of the costs for goods and services, but I am just going to be speaking about the direct cost for energy.

Isolating energy consumption among the elderly is difficult because the elderly live in a variety of housing arrangements. Many live alone or with elderly or non-elderly partners. Some live in extended family households, either with primary responsibility for energy costs on in situations where they are in the care of younger household members, so may have only partial or no responsibility for energy costs. Still others live in institutional or retirement facilities where they may or may not pay directly for energy.

EIA's own 2001 Residential Energy Consumption Survey shows that the average elderly household spends less per household on energy than non-elderly households because they often live alone or in two-person households. Compared to younger one- and two-person households, the elderly spend just about the same amount on energy.

In terms of transportation use, the elderly drive quite a bit less than younger households, although when there are two or more elderly persons in all-elderly household, they tend to have two cars and tend to drive almost twice as many miles as a one-person elderly household.

Looking at expenditures relative to household income, our data show that there is a floor of about $1,000 per household for energy expenditures regardless of income. Applying the generally higher 2005 energy prices to 2001 consumption levels shows somewhat higher expenditures. Energy costs fall most heavily on the lowest-income households, which are relatively more prevalent for the elderly than for the rest of the population.

For transportation expenditures we used the Department of Transportation's National Household Travel Survey, and found that elderly households use their vehicles less than other households, and for any type of household composition, lower-income households drive less. Even so, low-income elderly households spend several hundred dollars per year on vehicle fuel. Because gasoline prices have recently increased so much more than household energy prices, the difference between 2001 consumption at 2001 prices and the same consumption at today's prices is relatively much larger than the increase for overall household energy costs.

To the extent that energy consumption for both household and transportation use is different now than what it was in 2001, the annual energy bill will also be different, but adding household and

transportation energy cost together, many low-income households, including low-income elderly, are now spending 10 to 20 percent of their income on energy. For comparison, higher-income Americans of all ages, those making more than $30,000 per year, spend on average about 7 to 10 percent of their income on energy.

This concludes my statement, Mr. Chairman. I would be happy to respond to any questions.

The CHAIRMAN. Ms. Anderson, did I understand your testimony to say that the homes of the elderly are less energy efficient generally speaking?

Ms. ANDERSON. Generally speaking, elderly households tend to live in older homes that may be less energy efficient. I do not think we have exact statistics on energy efficiency, but they do tend to live in older homes.

The CHAIRMAN. How significant do you anticipate technology to influence future energy consumption? I mean all the appliances we use today are more energy efficient than the ones we used to use, but do you see technology reducing these costs or at least holding them steady?

Ms. ANDERSON. Well, we think there are two sides to that coin. Certainly, as we have seen over time, there has been an increase in energy efficiency of our appliances and of building shells. At the same time we are using more energy for a lot of the appliances. We have more appliances, computers, palm pilots, everything that has to be recharged, cell phones, and so there is some energy use there. Certainly over time we have seen energy intensity or consumption per household per capita decline.

Whether we will continue to see those gains at that rate in the future is unclear, but there is certainly movement toward more efficiency in the major appliances that we do use in most of our homes. Buildings continue to become more energy efficient.

The CHAIRMAN. As energy becomes more expensive, obviously the cost of buying new technologies, I suppose you could say, is relatively less expensive because of maintenance and energy use would be less and may defray those costs. But would it be a fair characterization to say that the elderly are usually less likely to buy new technologies and have the advantage of those things?

I mean I am speaking really about myself. I am sort of computer technology, not illiterate but just about. I wonder if the elderly generally are less inclined to go for the new technologies?

Ms. ANDERSON. I do not think that our survey collects statistics on that. If I am wrong, I will certainly correct that for the record. But anecdotally you certainly hear a lot of people talking about the fact that the elderly are less inclined to buy some new technology, maybe less inclined to be on the Web and less inclined to buy cell phones and palm pilots.

The CHAIRMAN. If that is the case and that there are perhaps energy efficiencies to be gained and therefore costs saved, what can the Energy Information Administration do in terms or outreach to the elderly community to make them aware of what is out there that could save them money?

Ms. ANDERSON. Well, I will tell you what the Department of Energy is doing now, is we have a website. We can also be reached by telephone or certainly reached by letter, and have brochures and

information that is available on the Web that help all Americans conserve energy tips for reducing your summer cooling bill, tips on conserving fuel costs—and so there are opportunities that folks have ranging from using fans, using ceiling fans, setting thermostats to different levels, simple things about using shades during the day to help drive down cooling costs, and simple things that people can do to consolidate errands, to keep tires inflated, and keep cars tuned up. All of that is information that's readily available to help shave off some of those costs at the margin and help reduce in the short term the average monthly energy bill.

The CHAIRMAN. I know you made clear in your opening statement you obviously are not taking partisan positions, but we in the Senate are producing a fairly nonpartisan energy bill. Do you see that as helpful in reducing increases or will they actually result in some real savings in terms of energy costs and its impact on seniors?

Ms. ANDERSON. The Secretary of Energy has certainly been on record of saying that the energy bill will go a long way toward increasing long-term supplies of energy to the extent that that helps all Americans whether through the diversity of supplies or, increasing supplies here at home, all of that can help contribute to reducing prices and reducing the volatility of prices that can help all Americans.

The CHAIRMAN. I hope we get it to the President soon.

Senator CRAIG.

Senator CRAIG. Conrad, do you have questions you want to ask?

Senator BURNS. No. He asked every one of them, and she answered every one of them.

The CHAIRMAN. Sorry for taking your question there, Senator Burns.

Senator CRAIG. Thank you, Mr. Chairman.

Ms. Anderson, thank you. Based on known sources of supply, what are the demand projections for Third World economies? By that I mean how accurate do we expect those projections to be? In the past of course we have seen China now take off, if you will, and start reaching into the world market and pulling a great deal of supply out. Is there any indication, looking at the economic growth in China today and other emerging nations, that similar things will happen? We think we are driving, with the legislation we have on the floor, toward some stabilizing potentially, but with these new emergences, what are you looking at and what are you projecting?

Ms. ANDERSON. Sir, we come out with projections every month that do tend to look at what is going on in developing countries, and we are looking very closely at China and India. We, like other organizations, make adjustments month to month to these forecasts, but we think that Chinese demand growth will continue to be as strong as—not quite as strong as it was in 2005, but will continue to be strong in 2005 and 2006 and beyond. For India, we do not project any declines in demand growth. Certainly we look at other countries as well, and do not see that there is going to be large diminishment in demand. As their economies grown, energy consumption grows as well.

I can get you the exact figures that we have for the predictions for the short-term as well as all the way out to 2025. We do have

those estimates. But certainly no demand abatement is foreseen as long as their economies grow, which is the main driver for energy demand.

[Insert for the Record]

Oil Demand Projections.—Based on known sources of supply, what are (energy) demand projections for third world economics?

The Energy Information Administration's (EIA) *International Energy Outlook 2004 (IEO2004)*, released in April 2004, projects strong growth for worldwide energy demand over the 24-year projection period from 2001 to 2025. Total world consumption of marketed energy is expected to expand by 54 percent, from 404 quadrillion British thermal units (Btu) in 2001 to 623 quadrillion Btu in 2025. Developing nations of the world are expected to account for most of the increment in world energy consumption. In particular, energy demand in the emerging economies of developing Asia, which include China and India, is projected to more than double over the next quarter century. In the developing world as a whole, primary energy consumption is projected to grow at an average annual rate of 2.7 percent between 2001 and 2025. In contrast, in the industrialized world—with its more mature energy-consuming nations—energy use is expected to grow at a much slower rate of 1.2 percent per year over the same period, and in the transitional economies of Eastern Europe and the former Soviet Union (EE/FSU) growth in energy demand is projected to average 1.5 percent per year.

In the developing world, oil consumption is projected to increase for all end uses. In some countries where non-marketed fuels have been widely used in the past (such as fuel wood for cooking and home heating), diesel generators (as well as distributed generators, such as solar photovoltaics) are not sometimes being used to dissuade rural populations from decimating surrounding forests and vegetation—most notably, in Sub-Saharan Africa, Central and South America, and Southest Asia.

Because the infrastructure necessary to expand natural gas use has not been as widely established in the developing world as it has in the industrialized world, natural gas use is not expected to grow enough in the developing world to accommodate all of the increased demand for energy.

Energy use in the developing nations (China, India, Central and South America, Africa, the Middle East, and Other Developing Asian nations) is projected to increase more rapidly than in other regions over the coming decades. Population growth and urbanization in populous China and India are expected to produce lare increases in demand for residential energy services, and rising incomes and rural electrification efforts are generally expected to bolster demand for electricity-using appliances in most of the developing countries. Given the current low market saturation of such appliances, rapid growth in demand for electricity is projected over the forecast period as air conditioning, refrigeration, and laundry equipment become more commonplace. China's electricity supply system already is struggling to meet the demand of its customers, causing brownouts and curtailments. In South America, where air conditioning is more widely used, the electricity infrastructure is better established than in some of the other developing nations.

Senator CRAIG. In discussing crude oil prices you testified that projected growth in OPEC supplies is not expected to accommodate worldwide demand growth and that worldwide spare crude oil production capacity had diminished. Later you said that gas prices are projected to rise only slightly in the next 20 years due to increased production from OPEC and non-OPEC sources. At first glance at least these seem to be contradictory statements. Can you please clarify the assumptions on which those projections are based?

Ms. ANDERSON. I hope that I said that non-OPEC supplies are not going to be adequate to maintain the increase in demand growth. It is non-OPEC supplies. We do expect that over the next 20 years in part because of higher prices there will be long-term growth in world supplies as well as in some additional U.S. supply, and that would have the impact on long-term gasoline prices. So over the next 20 years we do anticipate that as new supplies come along, as there are some efficiencies worldwide, we would not ex-

pect to see the kind of growth in prices as we have seen in the last few years.

So that is what that is in reference to, for the longer term. We hope there will be some mitigation.

Senator CRAIG. In regards to elderly driving significantly less than younger households, does your date make a distinction between those who drive less because of costs versus those who drive less because of age-related conditions?

Ms. ANDERSON. No, sir, I do not believe that our data would go into the kind of rationale for why there would be differences. I can get back to you if we have that information, but I believe we just calculate data on miles traveled by age group, not due to a reason that might affect their behavior.

Senator CRAIG. Thank you, Mr. Chairman.

The CHAIRMAN. We have been joined by Senator Carper. Welcome, Tom.

Senator CARPER. Thanks, Mr. Chairman.

Hi, Ms. Anderson.

Ms. ANDERSON. Good afternoon.

Senator CARPER. How have they been doing?

Ms. ANDERSON. Great.

Senator CARPER. Are there any questions they have not asked you that you ought to be asked?

Ms. ANDERSON. I do not think so, no, sir.

Senator CARPER. I want to follow up on a couple of things that I heard them asking, if I could. One of the—it may have been our chairman—was talking about the energy bill and aspects of the energy bill, which we very much need a good balanced piece of legislation. Part of our energy bill will be production. Some will be renewable, some will be non-renewable. Part of the energy bill will focus on conservation. What I would like to do is just to maybe focus a little bit on conservation with respect to the elderly. What I would like to do is see if we could not tie that in with funding for LIHEAP. I understand the LIHEAP can be used in part our electric bills or our gas bills or oil bills. It can also be used I think for weatherization if I am not mistaken.

Would you just take a minute and share with us any insights that you might have on how meaningful that has been, how worthwhile that has been? If this is not something that is within your purview, that is fine, but I just thought I would like to ask.

Ms. ANDERSON. I regret that it is not within my purview.

Senator CARPER. Why not? No, I am just——

Ms. ANDERSON. I could explain that too.

Senator CARPER. Do you want to answer another question? Usually when we are asked questions that we cannot answer, we pretend that we are answering the question we have been asked, but then we just answer another one, sort of like we can stay on message. That is the way we do it. Do you want to try that?

Ms. ANDERSON. Sure, why not? I will give it a shot. [Laughter.]

Working for the Energy Information Administration, we do not really get involved in commenting on programs that DOE may have an interest in or programs of HHS. So I just do not have the numbers or the information on hand to opine about LIHEAP, but I know that the panel behind me knows a lot about LIHEAP.

Senator CARPER. Oh, good.

Ms. ANDERSON. They are going to be talking at length about——

Senator CARPER. I see them back there nodding their heads to say, "yes, we do know a lot."

Ms. ANDERSON. They are probably far more expert than I am about the provisions of LIHEAP and how that might be related to the current energy bill. I regret that I am not an expert in this area.

Senator CARPER. That is OK. Let me ask one more if I could. Unfortunately, I am not going to be able to stay here for the second panel, so I am just going to be putting all this pressure on you. But when we look at the run-ups in gasoline prices and the cost of oil per barrel, we look at the run-ups in natural gas prices, and we see those spiking. I am wondering what kind of correlation is there between, say, increases in natural gas prices, increases in oil prices, with the actual costs that elderly people are incurring for their energy costs?

Ms. ANDERSON. Natural gas prices, like heating oil and like gasoline prices, although closely follow crude oil prices, although natural gas prices somewhat less so than gasoline or heating oil. So as we see crude oil prices rise, we see that those increases do filter through to the major fuels, and that certainly would include natural gas. Natural gas prices are determined also in part by what happens here in the United States, because natural gas of course is not traded nearly as much as crude oil is, and so those prices tend to reflect different kinds of factors within the United States that have to do with U.S. production and storage here in the U.S.

Senator CARPER. OK. A different kind of questions, and this is maybe asking you to look at the kind of expenditures that maybe our parents make for their energy costs and some idea of like the percentage of their income that maybe our parents or grandparents are spending for energy as compared to those who are a bit younger, their children and grandchildren. Any thoughts? Is it the same? Are they comparable? I seem to recall that—you may have mentioned it but I think before I got here—that the elderly are spending anywhere from 10 to 20 percent of their income for energy costs. How does that compare to the percentage that their children or grandchildren might be spending out of their income for energy costs?

Ms. ANDERSON. If we look at low-income elderly, we get the 10 to 20 percent figure. For significantly low-income elderly it would be higher. Compared to the average American, all Americans—excuse me—compared to all Americans in higher-income classes, perhaps making $30,000 a year or more, the percentage would be in the 7 to 10 percent category. We can break that down by income levels, but at those averages it is about half of the percentage of lower income households.

Senator CARPER. Last question, and you can go anywhere you want with this one, but if you were just giving us some advice here in the Senate as to what we can do to really make a meaningful difference for folks, whether it is this summer, this winter, older Americans in our respective States, whether it is Idaho or Oregon or Montana or Delaware, but some things that we might want to consider doing more of, less of, better, to help meet their human

needs Ms. Anderson. Regrettably, I am not in a position to advocate any policy actions. If my boss, the Secretary of Energy were here, he would say pass the energy bill.

Senator CARPER. He is not here, but I am glad you are, and thanks for that advice.

Ms. ANDERSON. Thank you very much.

Senator CARPER. Thank you.

Ms. ANDERSON. Thank you.

The CHAIRMAN. Thank you very much, Ms. Anderson. We so appreciate your time and your attention to this issue.

[The prepared statement of Ms. Anderson follows:]

STATEMENT OF MARGOT ANDERSON

DIRECTOR, OFFICE OF ENERGY MARKETS AND END USE

ENERGY INFORMATION ADMINISTRATION

U.S. DEPARTMENT OF ENERGY

Before the

SPECIAL COMMITTEE ON AGING

UNITED STATES SENATE

June 15, 2005

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before you today to discuss the outlook for energy prices and examine their impact on the elderly population.

The Energy Information Administration (EIA) is an independent statistical and analytical agency within the Department of Energy. EIA is charged with providing objective, timely, and relevant data, analysis, and projections for the Congress, the Administration, and the public. We do not take positions on policy issues, but we do produce data, analyses, and forecasts that are meant to assist policy makers in their energy policy deliberations. Because we have an element of statutory independence with respect to our analyses, our views are strictly those of EIA and should not be construed as representing those of the Department of Energy or the Administration. However, EIA's baseline projections on energy trends are widely used by government agencies, the private sector, and academia for their own energy analyses.

Introduction

As it is for all Americans, direct energy expenditures for the elderly–defined for this testimony as those age 65 and over–is a combination of energy costs for running the household (such as heating and cooling) and the energy costs for transportation fuel. There are also indirect expenditures embodied in the energy component of the cost for goods and services, but this testimony will focus only on the direct costs.

The major determinates of energy expenditures for households are energy prices and consumption levels. Energy prices are largely determined by world events–at least in the case of oil prices– and domestic trends in the case of natural gas and electricity prices. In the short run, household energy consumption levels are largely determined as a function of weather. In the longer run, consumption patterns are influenced by technology, structural, and behavioral trends, as homes are constructed or remodeled and equipment is purchased. Consumption levels for transportation are a function of vehicle choice, driving behavior, and other technological, structural, and behavioral issues.

Consumption patterns for this testimony are based on EIA's 2001 Residential Energy Consumption Survey (RECS), EIA's quadrennial national level survey on residential energy consumption and expenditures use. We recognize that consumption patterns are likely to change–as they have in the past– as technology continues to improve and new products enter the marketplace.

I first want to examine recent and projected energy prices and energy expenditures based on EIA's most recent *Short-Term Energy Outlook*, which was released on June 7, 2005 (**Table 1**). In addition, I'll be referring to longer-term projections from EIA's *Annual Energy Outlook 2005,* released in January 2005. In the second section I'll focus on consumption patterns and expenditures for elderly households.

Energy Prices and Expenditures: Recent Past and Future Projections

Crude Oil. In May, the West Texas Intermediate (WTI) crude oil price per barrel oscillated between the low $50s and high $40 and back again. For the third quarter of 2005, the WTI price is expected to average $53 per barrel, approximately $9 per barrel above the year-ago level. WTI prices are now expected to average $52 per barrel during 2005 and $54 per barrel in 2006. The projected 2006 increase in WTI price, from $25.95 per barrel in 2001, represents a 109 percent increase in nominal terms, or a 90-percent increase when adjusted for inflation.

Several factors are contributing to high crude oil prices. First, worldwide petroleum demand growth is projected to remain robust during 2005 and 2006. Second, projected growth in non-Organization of Petroleum Exporting Countries (OPEC) supplies is not expected to accommodate worldwide demand growth. Third, worldwide spare crude oil production capacity has recently diminished. Fourth, downstream sectors, such as refining and shipping, are expected to remain tight. And finally, geo-political risks, such as the continued insurgency in Iraq, are expected to keep the level of uncertainty in world oil markets high.

Heating Oil. Heating oil prices closely follow crude oil prices, but not always on a one-to-one basis. In 2005 heating oil prices are projected to average $1.91 per gallon, compared to $1.54 in 2004. This 37 cents per gallon represents an increase of 24 percent.

For comparison, EIA projects that, by 2006, heating oil prices will increase from $1.22 per gallon in 2001 to an average of about $1.94 (a 59-percent increase in nominal terms; a 42- percent increase when adjusted for inflation). Much of this increase is due to the rise in world oil prices, which has been the result of growing petroleum demand particularly from China and other countries, and a lack of excess oil production capacity in the Middle East. These price increases, along with some weather effects, have caused average expected heating oil expenditures per household to increase from $719 per year in 2001 to $1143 per year in 2006 in nominal terms. Prices are expected to increase only slightly by 2025 as additional oil production capacity and efficiency gains have an impact on the market.

Gasoline. Gasoline prices also closely follow crude oil prices. In May, retail gasoline prices declined steadily from about $2.24 per gallon at the beginning of the month to $2.10 on May 30. On June 6, average retail prices were $2.12 per gallon. Pump gasoline prices (April-September) are now projected to average $2.17 per gallon, similar to last month's projection but still about 26 cents per gallon above the year-ago level. Crude oil prices are expected to remain high enough to keep monthly average gasoline prices above $2.00 per gallon through 2006. The projected summer average price for retail diesel is $2.22 per gallon, up about 45 cents per gallon from last summer. Nationally, monthly average diesel fuel prices are expected to remain above regular gasoline prices through 2006. Currently, this pattern is most evident in areas east of the Rocky Mountains.

For comparison, in 2001, gasoline prices averaged $1.43 per gallon; in 2006, gasoline prices are expected to average $2.18 per gallon (a 52-percent in nominal terms and 36-percent increase when adjusted by inflation). Between 2001 and 2006, expenditures for gasoline are expected to increase from $1,370 per household per year to $2,088 in 2006. Like heating oil, gasoline prices are projected to rise between 2006 and 2025 only slightly as increased production from OPEC and non-OPEC sources help to bring the market more in balance relative to current market fundamentals.

Residential Natural Gas . Natural gas prices have also been affected by changes in the world oil market but to a lesser extent than gasoline and heating oil prices. Other factors, such as limited exports from Canada to the United States and somewhat limited additions to domestic reserves have also had a large impact on prices. The Henry Hub natural gas spot price, which had averaged over $7.30 per thousand cubic feet (mcf) in April 2005, fell to $6.66 per mcf in May as weather in the Midwest and East moderated and crude oil prices eased. The natural gas market is likely to tighten over the next few months as summer cooling demand picks up. Prices are projected to continue to increase as the winter heating season boosts natural gas demand. Monthly average spot prices are likely to reach to $7.50 per mcf by the end of the year. Although natural gas storage remains above the 5-year average, high world oil prices, continued strength in the economy, the expectation that Pacific Northwest hydroelectric resources will be well below normal through mid-summer, and limited prospects for growth in domestic natural gas production all support the natural gas price projections. Henry Hub prices are expected to post averages of about $6.90 per mcf in 2005 and just over $7.10 per mcf in 2006

Prices between 2001 and 2006 are projected to increase from $9.63 to $11.99 per thousand cubic feet (a 24-percent increase in nominal terms; an 11-percent increase when adjusted for inflation). Over this period expenditures are projected to increase from $674 per household to $839 per household.

Electricity. In 2005, residential electricity prices are expected to average 9.33 cents per kilowatthour, compared to 8.92 cents in 2004. This is an increase of 4.6 percent. The projected 2005 third quarter (the height of the cooling season) price of 9.72 cents per kilowatthour represents an increase of nearly 4 percent above the previous year's third quarter price (9.39 cents per kilowatthour).

Electricity prices and expenditures are projected to change less over time than oil or natural gas prices due to the nature of this market which is dominated by longer-term contracts for its input fuels and which relies heavily on domestic coal and nuclear generation plants. Residential prices are only projected to increase to 9.68 cents per kilowatthour in 2006. Compared with 2001, when residential prices were 8.62 cents per kilowatthour in 2001, 2006 prices represent a 12 percent increase in nominal terms (no increase when adjusted for inflation). Prices are expected to increase between 2006 and 2025 in nominal terms, but decrease when adjusted for inflation. Expenditures per household for electricity are expected to increase from $919 in 2001 to $1031 in 2006, which in percentage terms is much less than in the oil or natural gas markets, again due to the long term nature of the supply contracts in this industry.

Price Volatility. While energy prices and expenditures have generally increased since 2001, they have also exhibited considerable volatility over this period. These price movements have caused changes in expenditure estimates as changes in prices generally outweigh changes in other factors such as weather variations and efficiency improvements, which change very slowly over time.

Energy Use and Expenditures by the Elderly

Household Energy Use and Expenditures. Effects on the elderly can be difficult to isolate, because the elderly live in a variety of housing arrangements. Many live alone, or with elderly or non-elderly partners. Some live in extended family households, either with primary responsibility for energy costs or in situations where they are in the care of younger household members, and may have only partial or no responsibility for energy costs. Still others live in institutional or retirement facility settings where they may pay directly for energy or it may be included in their housing payment to the facility.

Table 2 shows the average energy use and expenditures for households with various configurations of elderly and non-elderly members (data are from EIA's 2001 Residential Energy Consumption Survey). The table shows that households consisting totally of elderly members use about as much energy as other households after accounting for the number of household members. The elderly use less energy per household because more of them live alone and live in smaller homes. There seems to be

a floor of about $1,000 of energy expenditures as of 2001 and $1,200 using 2005 energy prices, for even the least energy-consuming households.

Transportation Energy Use and Expenditures. Regardless of the living arrangements of the elderly, they still have transportation requirements of some type. **Table 3** shows that, in contrast to household expenditures, the relative gap between transportation use by the elderly and by other types of households is quite large even after considering differences in household composition. The elderly drive quite a bit less than younger households; although when there are two or more elderly persons in a totally elderly household they tend to have two cars and drive almost twice as many miles a one-person elderly household.

Energy Expenditures. The amount of energy expenditures is meaningful in itself, but it is also useful to examine those expenditures relative to household income. **Tables 4 and 5** show average household and vehicle energy expenditures for the categories of household age distribution and broad income categories. Once again there appears to be a floor of $1,000 per household for household energy expenditures regardless of income, even as of 2001. Applying the generally higher 2005 energy prices to 2001 consumption levels, since 2005 consumption date are not available, results in somewhat higher expenditures. But the burden falls most heavily on the lowest-income households, which are relatively more prevalent for the elderly than for the rest of the population. For households with $15,000 or lower household income, an annual energy bill exceeding $1,100 is relatively

greater than a $2,000 annual energy bill for households with income greater than $50,000.

Table 5 shows comparable information for transportation expenditures. The number of households is slightly different and the income breakdowns are much more detailed because the survey on which the data are based, the Department of Transportation's National Household Travel Survey, covers a slightly different time period (extending into 2002) and has a much larger sample size with which to work. However, the results are somewhat parallel to those for household expenditures. Elderly households use their vehicles less than other households, and for any type of household composition, lower-income households drive less. Even so, low-income elderly households spend several hundred dollars per year on vehicle fuel, and, because gasoline prices have increased recently much more than household energy prices, the difference between 2001 consumption at that year's prices and the same consumption at today's prices is relatively much larger than the increase in household energy costs.

To the extent that energy consumption for both household and transportation use is different now from what it was in 2001, the annual energy bill will also be different. But, adding household and transportation energy costs together, many low-income households, including low income elderly, are now spending 10 to 20 percent of their income on energy.

This concludes my testimony Mr. Chairman. I would be glad to respond to any questions you may have.

Table 1: Energy Price and Expenditure Projections – All Households

Prices (Nominal dollars)	**2001**	**2005**	**2006**
West Texas Intermediate Crude (dollars per barrel)	25.95	52.30	54.23
Motor Gasoline, Regular (dollars per gallon)	1.43	2.10	2.18
Residential Heating Oil (dollars/gallon)	1.22	1.91	1.94
Residential Natural Gas (dollars/thousand cubic feet)	9.63	11.72	11.99
Residential Electricity (cents per kilowatthour)	8.62	9.33	9.68
Expenditures (dollars per Household)			
Motor Gasoline	1,370	2,013	2,088
Residential Heating Oil	719	1,125	1,143
Natural Gas	674	821	839
Electricity	919	994	1,031

Sources: Historical data: EIA: latest data available from EIA databases supporting the following reports: *Petroleum Marketing Monthly*, DOE/EIA-0380; *Natural Gas Monthly*, DOE/EIA-0130; *Monthly Energy Review*, DOE/EIA-0035; *Electric Power Monthly*, DOE/EIA-0226. Expenditure data for heating oil, natural gas, and electricity calculated for residential data calculated from consumption data from the EIA *Residential Energy Consumption Survey 2001*. Consumption data for motor gasoline is from most current DOE Oak Ridge National Laboratory *Transportation Energy Data Book*. Projections: 2005 and 2006, EIA: *Short-Term Energy Outlook June 2005*; 2025, EIA: *Annual Energy Outlook 2005*.

Table 2. Household Energy Characteristics by Household Composition

Household Characteristics	Single-Person Households		Multiple-Person Households		
	65+	Under 65	All members 65+	Some Members 65+	No Members 65+
Number of households (millions)	11.7	16.4	7.8	8.2	62.9
Percentage of households that are single family dwelling	48	41	72	73	62
Average floorspace per household	1550	1449	2258	2417	2255
Average consumption per household	67	65	96	111	101
Average dollars per household (2001 prices)	1039	1064	1473	1802	1652
Average dollars per household (2005 prices)	1218	1236	1730	2104	1908

Notes: Consumption values in million British thermal units (Btu).
Source: 2001 Residential Energy Consumption Survey, Energy Information Administration

Table 3. Transportation Characteristics by Household Composition

Transportation Characteristics	Single-Person Households		Multiple-Person Households		
	65+	Under 65	All members 65+	Some Members 65+	No Members 65+
Vehicles per household	1.1	1.2	1.8	2.2	2.2
Vehicle Miles per household	7606	13516	14486	23368	28633
Gallons per household	377	650	753	1188	1410
Average dollars per household (2001 prices)	501	863	996	1588	1874
Average dollars per household (2005 prices)	792	1365	1581	2495	2961

Sources: 2001 National Household Travel Survey, EIA gasoline price series, and the EPA Fuel Economy Ratings to derive vehicle energy consumption and expenditures.

Table 4. Household Energy Expenditures for 2001 Energy Use by Household Composition and Income

Household Composition and Income	Number of Households (million)	Average floorspace (square feet)	Household Energy Dollars per Household	
			Using 2001 Prices	Using 2005 Prices
All Members 65+				
Less than $15,000	6.9	1303	948	1117
$15,000 - $29,999	6.0	1805	1281	1507
$30,000 - $49,999	4.0	2232	1337	1571
$50,000 +	2.6	2686	1558	1810
Some Members 65+				
Less than $15,000	1.1	1542	1477	1717
$15,000 - $29,999	2.1	1822	1536	1804
$30,000 - $49,999	2.2	2524	1879	2212
$50,000 +	2.7	3176	2089	2417
No Members 65+				
Less than $15,000	10.6	1208	1113	1280
$15,000 - $29,999	14.8	1471	1282	1488
$30,000 - $49,999	20.9	1865	1434	1659
$50,000 +	33.0	2788	1837	2122

Source: 2001 Residential Energy Consumption Survey, Energy Information Administration.

Table 5. Transportation Energy Expenditures by Household Composition and Income

Household Composition and Income	Average Vehicle Miles (thousand)	Transportation Energy Dollars/HH	
		Using 2001 Prices	Using 2005 Prices
All Members 65+			
Less than $5,000	8.6	$589	$865
$5,000 -$9,999	6.7	$448	$658
$10,000 - $14,999	7.9	$513	$754
$15,000 - $19,999	8.7	$593	$870
$20,000 - $24,999	9.5	$637	$936
$25,000 - $34,999	11.6	$788	$1,158
$35,000 - $49,999	13.5	$920	$1,351
$50,000 - $74,999	14.8	$1,024	$1,504
$75,000 or more	16.5	$1,094	$1,607
Some Members 65+			
Less than $5,000	11.6	$798	$1,171
$5,000 -$9,999	17.2	$1,152	$1,692
$10,000 - $14,999	17.6	$1,371	$2,013
$15,000 - $19,999	20.3	$1,458	$2,141
$20,000 - $24,999	19.9	$1,307	$1,920
$25,000 - $34,999	20.8	$1,413	$2,076
$35,000 - $49,999	25.1	$1,654	$2,429
$50,000 - $74,999	26.8	$1,906	$2,800
$75,000 or more	32.0	$2,057	$3,021
No Members 65+			
Less than $5,000	14.9	$886	$1,300
$5,000 -$9,999	16.7	$1,038	$1,524
$10,000 - $14,999	15.3	$949	$1,393
$15,000 - $19,999	19.6	$1,208	$1,774
$20,000 - $24,999	18.4	$1,163	$1,708
$25,000 - $34,999	21.3	$1,353	$1,986
$35,000 - $49,999	25.6	$1,674	$2,458
$50,000 - $74,999	29.4	$1,925	$2,827
$75,000 or more	31.7	$2,116	$3,108

Sources: 2001 National Household Travel Survey, EIA energy price series, and the EPA Fuel Economy Ratings to derive vehicle energy consumption and expenditures.

The CHAIRMAN. We will now call up our second panel. It consists of Nelda Barnett, a member of AARP Board of Directors. She is from Owensboro, KY; and Donna Harvey, executive director, Hawkeye Valley Area Agency on Aging from Waterloo, IA, and she is the president of National Association of Area Agencies on Aging; and then my constituent, Jim Slusher, executive director of Mid Columbia Community Action Council, The Dalles, OR. We welcome you all.

Nelda, why do we not begin with you?

STATEMENT OF NELDA BARNETT, MEMBER, AARP BOARD OF DIRECTORS, OWENSBORO, KY

Ms. BARNETT. That is fine. Good afternoon, Mr. Chairman and committee members. Thank you for this opportunity to be able to testify on behalf of AARP. I am Nelda Barnett and I am from Owensboro, KY, and I am a member of the AARP Board of Directors.

Older Americans face some of the most serious consequences to rising energy costs. My remarks will focus on five critical issues.

First, energy prices are projected to continue their rise dramatically into the cold winter months this year. According to the Department of Energy, household expenditures this winter for natural gas are expected to rise to 9.4 percent higher. Heating oil expenditures are expected to rise 34 percent, and propane prices 22 percent.

Second, older Americans devote a higher percentage of their total spending to residential energy costs. About 1 of every 4 low-income older households spend 19 percent or more of their entire income on home energy bills.

Third, rapidly rising energy costs force older Americans to adjust their overall spending, sometimes resulting in life-threatening choices. AARP recently surveyed about 850 older Americans across the country to determine if they had taken any steps to deal with the rising energy costs. We have found 61 percent have limited the use of energy in their homes; 62 percent have raised their thermostats in hot weather, lowered their thermostats in cold weather; 48 percent have limited their travel by automobile and 11 percent have turned to public transportation rather than driving their own car. A number have also delayed payment for their energy bills, 11 percent, and/or their bills for other services, 14 percent. In addition, rising energy costs led 11 percent of those surveyed to apply for energy assistance.

Most troubling, however, are the significant number of older Americans that have taken more serious measures to account for their rising energy costs. Twelve percent have been forced to limit or do without food. Eleven percent have reduced or done without medical services, and 10 percent have done without their prescriptions.

As we experience these hot summer days and look ahead to another cold winter, the safety and security of older Americans should not be compromised.

Fourth, increased energy costs impact older Americans' reliance on transportation and transportation services. Rising energy costs are also reflected in gasoline prices, and 90 percent of trips by older

persons are by private vehicle. Transportation is the second highest expenditure category for households age 45 and above, second only to housing. Transportation consumes on average 19 percent of spending in these households. Services for seniors that rely on cars, vans and trucks, such as transportation services and meals on wheels, are severely challenged by the sharp increase in gasoline prices. Many meals programs have had little, if any, increases in funding and are operating in deficit to cover the higher gas costs. Higher gas prices particularly affect transportation service providers in rural areas where destinations are at greater distance from one another.

Finally, Federal assistance programs such as the Low-Income Energy Assistance Program, or LIHEAP, and the Weatherization Assistance Program, offer life-saving assistance. LIHEAP provides financial assistance for home heating and cooling. Without this program older Americans would have to make an unacceptable choice, a warm home during the cold winter, or life-sustaining food and medicines. This winter requests for energy assistance are expected to rise at an all-time high, and LIHEAP has struggled to keep pace with the ever-increasing number of eligible households.

The proposed LIHEAP budget will assist only 14 percent of the estimated 34 million eligible recipients. LIHEAP needs at least 3.6 billion for 2006 to simply maintain the assistance level it provided in 1982.

The Weatherization Assistance Program, another valuable Federal program, offers services to low-income households free of charge, reducing the burden of their energy costs. We commend Members of Congress for your continued support of this program.

In conclusion, AARP looks forward to working with the members of this committee and Congress to ensure the welfare of older Americans at a time when burgeoning energy costs have the potential to threaten their safety, health and welfare.

Thank you very much for this opportunity.

[The prepared statement of Ms. Barnett follows:]

TESTIMONY

BEFORE THE

SPECIAL COMMITTEE ON AGING

OF THE

UNITED STATES SENATE

ON

THE IMPACT OF ENERGY PRICES ON OLDER AMERICANS

JUNE 15, 2005
216 HART SENATE OFFICE BUILDING
WASHINGTON, D.C.

WITNESS: NELDA BARNETT
MEMBER, AARP BOARD OF DIRECTORS

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Good morning. Mr. Chairman and members of the Committee, thank you for this opportunity to testify today on behalf of AARP, regarding a national issue of crucial importance to consumers. My name is Nelda Barnett. I'm from Owensboro, Kentucky and I am a member of AARP's Board of Directors.

Energy prices have reached their highest levels in years and consumers across the country have felt the impact in their homes and wallets. Older Americans, however, face some of the most serious consequences of these rising energy costs. My remarks this morning will focus on five critical issues concerning the impact of rising energy costs on older Americans:

1) Energy prices are projected to continue to rise into the winter this year;
2) Older Americans devote a higher percentage of total spending to residential energy costs and are particularly vulnerable to rapid price increases;
3) Rising energy costs force older Americans to adjust their overall spending, sometimes resulting in life-threatening choices;
4) In addition to utility services, increased energy costs impact older Americans' reliance on transportation and transportation services; and
5) Federal Assistance programs, such as the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program, offer life-saving assistance to consumers, but reach only a fraction of eligible households.

Energy prices are projected to continue their dramatic rise into the cold winter months this year;

According to the Department of Energy, average household expenditures this winter for natural gas are expected to be 9.4 percent higher; heating oil expenditures are expected to be 34% higher, and propane prices are expected to be 22 percent higher.

Older Americans devote a higher percentage of total spending to residential energy costs.

Older Americans spend a higher percentage of their overall household budget on their energy costs. One factor contributing to this is that older people spend a greater proportion of their income on home heating costs, even after adjusting for weather and home size. Low-income older Americans spend an average of 14 percent of their income on residential energy. However, about one of every four low-income, older households spend 19 percent *or more* of their entire income on home energy bills[1]. Too often, low-income older people must choose between risking their health and comfort by cutting back on energy expenditures, and reducing spending for other basic necessities.

The graph below depicts the impact energy expenditures have on older Americans' overall budget. The relative percentage of energy expense, as related to overall household budget, rises dramatically for those over the age of 65.

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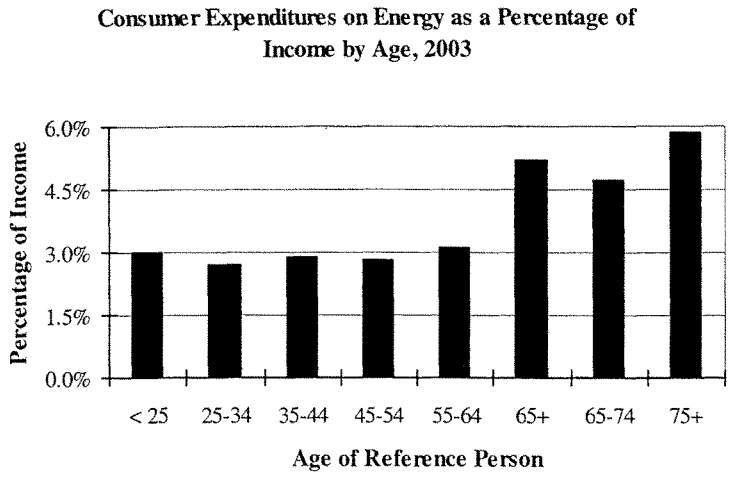
[1] Consumer Expenditure Survey. *Average Annual Expenditures and Characteristics, Bureau of Labor Statistics.* (2003).



Source: Bureau of Labor Statistics, *Consumer Expenditure Survey - Average Annual Expenditures and Characteristics, 2003.* Prepared by AARP Public Policy Institute.

Rapidly rising energy costs force older Americans to adjust their overall spending, sometimes resulting in life-threatening choices.

AARP recently surveyed about 850 older Americans across the country to determine if they have taken any steps to deal with the rising energy costs. Consumers have altered their lifestyles in several ways:

- 61 percent have limited the use of energy in their homes;
- 62 percent have raised their thermostat in hot weather or lowered their thermostat in cold weather;
- 48 percent have limited their travel by automobile; and
- 11 percent have turned to public transportation rather than drive their own car.

A number of the older Americans surveyed have also delayed payment for their energy bills (11 percent) and/or their bills for other services (14 percent). In addition, rising energy costs led 11 percent of those surveyed to apply for energy assistance.

Most troubling, however, are the significant number of older Americans that have taken more serious measures to account for rising energy costs. The increased costs have forced them to limit, or do without, essential services and products.

- 12 percent have been forced *to limit or do without food;*
- 11 percent have reduced or done without *medical services*; and
- 10 percent have limited or done without their *prescription drugs;*

As we experience the hot summer months and look ahead to another cold winter, too many older Americans are burdened by the prices they have already paid, and will continue to pay, for mounting energy costs. The safety and security of older Americans should not be compromised.

In addition to utility services, increased energy costs impact older Americans' reliance on transportation and transportation services.

Rising energy costs are also reflected in gasoline prices, which have had an immediate impact on older individuals as well as on the agencies that serve them. Ninety percent of trips by older persons are by private vehicle. Most older people live in communities where public transportation is infrequent or nonexistent, forcing them to rely on automobiles. Transportation is the second highest expenditure category for households age 45 and above, second only to housing. According to the 2001 Consumer Expenditure Survey, transportation consumes, on average, 19 percent of the spending in these households. Gasoline makes up about 16 percent of transportation costs. These costs represent an even higher percentage of household spending for older Americans with lower incomes.

We've seen and heard reports that services for seniors that rely on cars, vans, and trucks – such as transportation services and meals on wheels programs -- are being severely challenged by the sharp increase in gasoline prices. Many meals programs have had little, if any, increase in funding and are operating in deficit to cover the higher gas costs. Volunteer drivers for meals programs are particularly affected by fuel costs. More volunteers are applying for mileage reimbursement, and in many instances, such volunteers, on fixed incomes themselves, have had to leave the program. Agencies find that clients often can't afford to contribute to the cost of their meals. In order to cope,

many agencies have had to make shorter and fewer trips, reduce days of delivery, and substitute frozen for hot meals that permit several days' worth of meals with a single trip.

Higher gas prices particularly affect transportation service providers in rural areas where destinations are at greater distances from one another. Older persons (age 65+) comprise about 40 percent of transit riders in rural areas[2]. We understand that cost increases have led transportation service providers to ask for higher contributions from riders and that they have scaled down some services as well. Urban transit operators have also felt the pinch, but the silver lining is that transit ridership has increased in some areas, such as in Los Angeles, as drivers look for more economical ways to get around.

Federal assistance programs, such as the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program, offer life-saving assistance to consumers.

For many older Americans on fixed incomes, home energy costs are unaffordable. The burden of these costs keeps growing as natural gas, heating oil and propane prices continue to rise. Federal assistance programs for energy services provide a critical safety net for low-income and older American households.

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[2] "Status Report on Public Transportation in Rural America", *Community Transportation Association of America for the Rural Transit Assistance Program*, (1994).

The Low-Income Home Energy Assistance Program (LIHEAP), one of the most critical federal assistance programs, provides financial assistance for home heating and cooling. Without this program's assistance for energy services, many low-income households would have to choose between heating and other necessities such as food, medicine, rent or mortgage. For some older Americans, this presents an unacceptable choice: a warm home during the cold winter or life-sustaining food and medicines. Older Americans should not have to make this choice.

Since 1981, the number of households eligible for LIHEAP assistance has grown. This winter, requests for energy assistance are expected to reach an all-time high. While the need for this program is greater than ever, LIHEAP has struggled to keep pace with the ever-increasing number of eligible households. Based on the latest information available from the Administration on Children and Families, the proposed LIHEAP budget will assist only 14% of the estimated 34 million eligible recipients. In Oregon, LIHEAP was only able to serve 22.3% of the over 320,000 low income households eligible for benefits[3]. LIHEAP needs at least $3 billion for the 2006 fiscal year to simply maintain the assistance level it provided in 1982. The FY 2005 funding level for the Older Americans Act Congregate Care program is actually below its FY 2002 level. Some economists are reporting that expensive fuel prices have resulted in higher food costs at both the wholesale and retail levels.

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[3] The LIHEAP Databook: *A State-by-State Analysis of Home Energy Assistance*, Campaign for Home Energy Assistance, January 2004.

The Weatherization Assistance Program is another valuable federal assistance program. This program provides an alternative solution to high energy bills by utilizing energy efficient measures in the home. Weatherization services are provided to low-income households free of charge, reducing the burden of energy costs they face. The Department of Energy provides the funding and technical guidance to the states to run their own programs in communities with the greatest need. We commend Members of Congress for your continued support of this program.

In conclusion, AARP looks forward to working with the members of this Committee, and Congress, to ensure the welfare of older Americans at a time when burgeoning energy costs have the potential to threaten their safety, health, and welfare.

The CHAIRMAN. Thank you, Nelda. I think you said that Meals on Wheels programs do not receive funding for increased energy costs.

Ms. BARNETT. They have not, and what they are planning to do, it looks like, is go to one meal, one hot meal and frozen meals for the rest of the week.

The CHAIRMAN. So that is how they are dealing with the deficit?

Ms. BARNETT. That is how they are doing it, but you have to remember, most of our older people that are in a Meals on Wheels category are the ones that only see that meal driver from one day to the next, so we are forcing them into more isolated——

The CHAIRMAN. So they may have been getting two meals before but will now only get one?

Ms. BARNETT. No. They would be getting probably the five meals, but there would be one hot meal and the rest will be frozen.

The CHAIRMAN. What kind of frozen?

Ms. BARNETT. Well——

The CHAIRMAN. Do they have the ability to cook?

Ms. BARNETT. They usually have the ability to reheat it, to reconstitute it through maybe microwave or through hot water, but they are able. You know, most of the homes they have gone in, they know this.

The CHAIRMAN. You are talking about they get a TV dinner or something?

Ms. BARNETT. Yes, something of that nature.

The CHAIRMAN. Do they have peas in the TV dinner? I am just kidding. That is my business. [Laughter.]

Ms. BARNETT. Or it could be a shelf meal in some instances, where they reconstitute it with water.

The CHAIRMAN. I was just kidding you on this point.

Ms. BARNETT. I know you were.

The CHAIRMAN. A lot of your members live in assisted living facilities. How are increased costs with assisted living facilities impacting seniors? Can you discern whether they are passing on costs to them?

Ms. BARNETT. In a lot of cases in the lower income housing, they cannot provide any assisted living.

The CHAIRMAN. I see.

Ms. BARNETT. They have to have coordinated services in some way, but most of your assisted living is coming through your more affluent senior who can afford to pay for it.

The CHAIRMAN. One more thing on the frozen dinners. Are they well rounded? I mean are the same kind of things——

Ms. BARNETT. Let me say that I have not had one of those meals. [Laughter.]

The CHAIRMAN. I am really just more asking a nutritional question.

Ms. BARNETT. Right. Well, they would be nutritionally balanced. We have to have that.

The CHAIRMAN. OK.

Ms. BARNETT. That is a requirement of the program, and we do have the nutritionists who oversee that.

The CHAIRMAN. Thank you.

Senator CRAIG.

Senator CRAIG. Images of the Jolly Green Giant bouncing through my head. [Laughter.]

Ms. BARNETT. We will get the peas. [Laughter.]

Senator CRAIG. Nelda, you commented that the Federal assistance programs such as Weatherization Assistance Program are reaching only a fraction of the eligible households. Why is that so? Are there barriers other than financial constraints? If so, what are the barriers to reaching more people?

Ms. BARNETT. Some of this could be limited outreach of where people are not aware of the program, and where we would know the programs have done everything they could to try to find these people. It may be that there are some that are missing it.

Senator CRAIG. OK, that is all I have.

The CHAIRMAN. We have been joined by Senator Talent, who is one of the brighter talents in——

Senator TALENT. Mr. Chairman, you really are too kind.

I understand we have not yet heard from the other witnesses?

The CHAIRMAN. We have not.

Senator TALENT. I think I will suspend and wait until they do.

The CHAIRMAN. Thank you, Nelda.

Donna, we will turn to you.

STATEMENT OF DONNA K. HARVEY, PRESIDENT, NATIONAL ASSOCIATION OF AREA AGENCIES ON AGING, AND EXECUTIVE DIRECTOR, HAWKEYE VALLEY AREA AGENCY ON AGING, INC., WATERLOO, IA

Ms. HARVEY. Thank you, Chairman Smith, Ranking Member Kohl, who had to leave us, and other distinguished members of the committee. As stated, my name is Donna Harvey and I am the current executive director of Hawkeye Valley Area Agency on Aging in Waterloo, IA. If Senator Grassley were here he would tell you that is a suburb of New Hartford. I currently serve as the president of the National Association of Area Agencies on Aging, which represents 655 area agencies on aging, and 240 Title VI Native American aging programs across this Nation, and we have been doing that for 30 years.

I want to thank the committee for inviting me here today to testify on the impact of higher energy costs on older adults, and the AAA sponsored transportation and nutrition programs that serve America's seniors.

Currently older adults over the age of 65 spend approximately 15 percent of their income on transportation. As a result of high fuel costs many adults have had to curtail their driving to make only the most essential trips. For the 10 percent of seniors 65 and older living in poverty and the 30 percent of older Americans classified as low income, rising gasoline prices can mean making tough choices between maintaining their mobility and meeting other necessities of life.

Cutbacks due to rising fuel costs are not just impacting individual older drivers, they are also impacting the AAA sponsored transportation and nutrition programs that older adults rely on due in part to the fact that Older Americans Act funding for services such as transportation has not been able to keep pace with inflation and have made it necessary for AAAs to attempt to find ad-

ditional funding streams to supplement the Older Americans Act funding. AAAs have drawn upon SSBG, DOT funds and other private and foundation grants in an attempt to cobble together the funding to continue to provide these essential services.

Mr. Chairman, despite their best efforts to juggle multiple funding sources, many AAAs are now forced to shift additional costs to transportation recipients, as well as to make cutbacks in the level of transportation services they provide.

At my own agency we have had to make several adjustments to the transportation services we can provide to seniors as a result of increased operating costs passed on to us from our local transit entity. We have been forced to restrict destinations and only fund transportation for seniors to go to congregate meals, grocery shopping, medical appointments and the pharmacy. Consequently, transportation services have been eliminated for all non-essential trips such as family visits, general shopping and work or volunteer activities. This limitation has unavoidably impacted the quality of life for seniors in our area.

One of our main transportation providers now predicts that fuel expenditures for the fiscal year starting July 1 will increase by 20 percent over last year's expenses. To save fuel the provider has already taken steps to transition its fleet of vehicles to more fuel efficient mini vans where possible. However, they are limited in using these types of vehicles due to passenger capacity and accessibility considerations.

In addition to dealing with increased fuel costs, this provider has been saddled with a 25 percent hike in its insurance premiums, equivalent to $500 per vehicle in its fleet. As a result of these escalating operating expenses the cost of providing a trip has more than doubled. Rising gasoline prices are especially burdensome to AAA programs that depend heavily on volunteers. My AAA currently reimburses volunteer drivers that deliver meals from preparation sites to congregate sites at the rate of 29 cents per mile. Within the last month many of our volunteers have requested an increase in the reimbursement to cover their rising fuel expenses, which we have not been able to provide. In addition, home-delivered meal directors report that uncompensated Meals on Wheels volunteers are decreasing their days of service due to the rising fuel costs.

Mr. Chairman, in your home State the Community Connections of Northeast Oregon AAA based in La Grande, has reported their agency's fuel costs have increased 20 percent this fiscal year alone.

This year the AAA has been able to maintain its commitment to serving the area's older adults only because it has successfully tapped into two new funding sources from the FTA under the Section 5310 formula grant and the Section 5311 rural formula grant. The AAA has also redesigned its transportation program to deal with the increased demands by limiting its services.

Mr. Chairman, at the same time that AAAs are being confronted with growing costs in operating their senior transportation and meal programs, Older Americans Act Title III funding has remained largely level funded. With the reauthorization later this year Congress will have the opportunity to assess the increased

cost of providing Older Americans Act services, such as transportation, and establish new authorization levels.

In addition, with the reauthorization of the TEA–21 this year, Congress has indicated its willingness to further invest in senior transportation needs through the FTA's section 5310 formula grant. We would also ask that more flexibility be allowed in those programs to allow the monies to go to operating costs rather than capital replacement.

In conclusion, all Americans have been feeling the pain of higher gasoline prices, but this pain is compounded for older Americans on fixed incomes who can ill afford the rising cost of gasoline.

We encourage Congress to make additional resources available to AAAs to better meet the growing demand for and cost of providing senior transportation and meal programs. The health, mobility and independence of America's seniors depend upon it.

Thank you for holding this very important hearing.

[The prepared statement of Ms. Harvey follows:]

TESTIMONY OF

DONNA K. HARVEY
PRESIDENT
NATIONAL ASSOCIATION OF AREA AGENCIES ON AGING

AND

EXECUTIVE DIRECTOR
HAWKEYE VALLEY AREA AGENCY ON AGING, INC.
WATERLOO, IOWA

BEFORE THE

U.S. SENATE SPECIAL COMMITTEE ON AGING

HEARING ON THE IMPACT OF ENERGY PRICES ON THE AGING
JUNE 15, 2005 3 P.M.
216 HART SENATE OFFICE BUILDING
WASHINGTON, D.C.

Chairman Smith, Ranking Member Kohl, and distinguished members of the Committee, my name is Donna Harvey. I am the Executive Director of the Hawkeye Valley Area Agency on Aging in Waterloo, Iowa, and I serve as President of the National Association of Area Agencies on Aging (n4a).

n4a represents our nation's 655 Area Agencies on Aging (AAAs) and is the champion in Washington, DC, for the interests of 240 Title VI Native American aging programs. As the local component of the Aging Network, Area Agencies on Aging and Title VI programs that have successfully delivered aging services in every community across the country for over 30 years. In 2004, AAAs delivered aging services to 8 million older Americans.

I want to thank the Committee for inviting me here today to testify on the impact of higher energy costs on older adults and, in particular, how rising gasoline prices are significantly impacting the AAA sponsored transportation and nutrition programs that seniors depend on to maintain their quality of life.

Over the last five years, the dramatic rise in gasoline prices has escalated to the point that they are having an impact on older adults' ability to maintain their health, mobility and independence. From 2000 to April 2005, gasoline prices have skyrocketed by an average of $.95 a gallon, an increase of 74 percent, with retail prices rising from $1.28 to $2.24 a gallon. This year alone, gasoline prices have jumped an average of over $.40 a gallon.

These price increases place tremendous pressures on all drivers but <u>especially older drivers</u> who live largely on fixed incomes with limited means to absorb the costs of

higher fuel prices. Currently, older adults age 65 to 74 spend 18 percent of their income on transportation, while older adults 75 and older spend 13 percent of their income to meet their transportation needs. As a result of high fuel costs, many older adults have had to curtail their driving; to making only the most essential trips to medical appointments, the pharmacy, and the grocery store. For the 10.2 percent of seniors 65 and older living in poverty and the 30 percent of older Americans classified as low-income, rising gasoline prices can mean making tough choices between maintaining their mobility and meeting other necessities of life.

Cutbacks due to rising fuel costs are not just impacting individual older drivers, they are also impacting the AAA sponsored transportation and nutrition programs that older adults rely on. In FY 2003, Older Americans Act Title III funds made it possible for over 62,000 older adults to receive transportation services, over 950,000 older adults to receive home delivered meals, and over 1.8 million older adults to receive congregate meals.

The fact that Older Americans Act Title III funding for nutrition programs and supportive services such transportation has not kept pace with inflation has made it necessary for AAAs to find additional funding streams to supplement their Older Americans Act funding. AAAs have drawn upon Social Services Block Grant funding, federal grants from the Department of Transportation, and other private and foundation grants to cobble together the funding to continue to provide these essential services. Even with these added but often times temporary funding sources, however, AAAs have found it exceedingly difficult to maintain current services due to the growing cost of providing services as well as the increasing demand for services by our nation's surging aging population.

Mr. Chairman, despite their best efforts to juggle multiple funding sources, many AAAs are now forced to shift additional costs to transportation recipients as well as to make cutbacks in the level of transportation services they provide to older adults.

An August 2003 survey conducted by n4a of all AAAs and Title VI Native American aging programs, even before the latest jump in gasoline prices, revealed that 25 percent of respondents had to decrease transportation services over the last two years. Over three-quarters of these agencies cited budget cutbacks and financial constraints in meeting increased costs as the major cause for decreased services. Moreover, 25 percent of respondents reported having waiting lists for transportation services.

At my own agency, we have had to make several adjustments to the transportation services we can provide to seniors as a result of increased operating costs passed on to us from our local transit agency. We have had to restrict the trip destinations that the AAA could support. We currently only provide transportation for seniors to go to congregate meals at senior centers, grocery shopping, medical appointments and the pharmacy. Consequently, transportation services have been eliminated for all "non-essential" trips such as family visits, general shopping, trips to the workplace, and other social activities. This limitation has unavoidably impacted the quality of life for seniors in my community.

One of our main transportation providers now projects that fuel expenditures for the fiscal year starting July 1 will increase by $16,000 or 20 percent over last year rising from $65,000 to $81,000. To save fuel, the provider has already taken steps to transition its fleet of vehicles to more fuel efficient mini vans to the degree possible. However, they

are limited in using these types of vehicles due to passenger capacity and accessibility considerations. In addition to dealing with increased fuel costs, this transportation provider has been saddled with a 25 percent hike in its insurance premiums, equivalent to $500 per vehicle in its fleet. As a result of these escalating operating expenses, the cost of providing a trip has more than doubled for many AAAs.

Rising gasoline prices are especially burdensome to AAA programs that depend heavily on volunteers. My AAA currently reimburses volunteer drivers and individuals that deliver meals from preparation sites to congregate sites at the rate of $.29 per mile. Within the last month, many of our volunteers have requested an increase in the reimbursement rate to cover their rising fuel expenses. One volunteer has been forced to resign because he could not personally cover the difference between the fuel costs and our reimbursement rate. In addition, congregate and home-delivered meal directors report that uncompensated Meals on Wheels volunteers are decreasing their days of service due to the rising fuel costs.

Rising fuel costs also place tremendous pressures on older adults, particularly caregivers for whom transportation is a critical facet of their caregiving duties. This is especially true in rural areas. To give you one example, a 75-year old female caregiver in Waterloo, Iowa, who cares for her spouse with Alzheimer's disease, has to travel 180 miles round trip to the University of Iowa Hospital in Iowa City for medical appointments. The couple's savings have been exhausted to provide support and care for the husband and for the wife's increased medical costs resulting from the stress of being a full-time caregiver. The increased cost of gasoline to travel to their medical appointments has put an additional strain on their limited budget which consists primarily of Social Security income. This couple has been put in the difficult position of choosing among necessities.

This same scenario exists for many seniors who reside in rural areas, where no local amenities including medical services, grocery stores, or pharmacies are available, requiring them to travel long distances to other communities for needed services.

Mr. Chairman, in your home state, the Community Connections of Northeast Oregon AAA based in La Grande, has reported their agency's fuel costs have increased 20 percent this fiscal year alone and now account for 6 percent of the transportation program's operating budget. In the three rural counties of Baker, Union, and Wallowa, the AAA has spent $32,372 on gasoline since last July to provide 45,900 rides to older adults, persons with disabilities, and the general public.

The AAA has only been able to maintain their commitment to serving the area's older adults because it has successfully tapped into two new funding sources from the Federal Transit Administration (FTA) under the Section 5310 formula grant for the elderly and person with disabilities and Section 5311 rural formula grant. Both of these grants have been instrumental to the AAA's success in continuing to serve northeast Oregon's older adults without making transportation service cutbacks. Additionally, the AAA has redesigned its transportation program to deal with increased demands by limiting its dial-a-ride demand-response system to vulnerable older adults and persons with disabilities and establishing a new scheduled route system geared to ambulatory riders.

These fuel cost increases are not unique to the Midwest or the West Coast. In Virginia, the Lake Country AAA, which serves older adults in three counties stretching over 100 miles in the rural southern part of the state, estimates that the cost of providing transportation services with its fleet of vehicles has increased $58,000 in just the last three years, with rising gasoline prices comprising 77 percent of this increase. This year,

the AAA projects that its transportation program costs will increase by approximately 20 percent or $22,000 above last year's level. If fuel prices continue at their present level or increase, the AAA reports that it will be unable to sustain its current level of transportation services to the area's older adults.

Mr. Chairman, at the same time that AAAs are being confronted with growing costs in operating their senior transportation and meal programs, Older Americans Act Title III supportive services funding, the primary source of funding for these programs, has remained largely level funded.

With the reauthorization of Older Americans Act later this year, Congress will have the opportunity to assess the increased costs of providing Older American Act services, such as transportation, and establish new authorization levels that provide AAAs with more adequate funding to meet the demands of providing services to the growing number of older Americans. It is critical that Congress seize this opportunity.

In addition, with the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21) this year, Congress has indicated its willingness to further invest in senior transportation needs through the FTA's Section 5310 formula grant targeted to the elderly and persons with disabilities. Funding for this capital grant program must be expanded to partially offset the estimated $1 billion per year in unmet senior transportation needs.

In light of rising fuel prices that often prevent vehicles from being fully utilized, it is increasingly important that current restrictions on the Section 5310 program be relaxed to allow transportation providers greater flexibility to use funds where they are most

needed. Expanding the use of Section 5310 grant funds to include assistance with operating costs such as vehicle maintenance, insurance premiums, and volunteer recruitment and training would be a significant help to AAAs struggling to cover fuel costs and preserve their current level of services. In addition, greater resources for Mobility Managers, who help determine the transportation needs of seniors and connect them with the best available transportation options, would help seniors maintain their mobility and independence when faced with cutting back their driving because of high gasoline prices.

In conclusion, all Americans have been feeling the pain of higher gasoline prices, but this pain is compounded for older Americans on fixed incomes who can ill afford the rising cost of gasoline. Rising fuel costs are fast becoming a crisis not only for older adults themselves, but also for the agencies that serve them. Over the last five years fuel costs have risen 74 percent while Older Americans Act funds for transportation and meals programs have been flat funded. We encourage Congress to make additional resources available to AAAs to better meet the growing demand for and cost of providing senior transportation and meal programs. The health, mobility, and independence of America's seniors depend on it.

Thank you, Mr. Chairman, for holding today's hearing to call attention to the impact of rising energy costs on America's seniors. I would be happy to answer any questions you may have.

The CHAIRMAN. Thank you, Donna, for your testimony, your contribution here. I think it is probably logical to conclude that at least seniors who live in cities have public transportation alternatives, but places like La Grande, OR really do not, and really do depend on these kind of services. When we reauthorize the Older Americans Act, should there be included in there some sort of formula as to rural and city to make sure that some of these more distant places not be cutoff in times like these?

Ms. HARVEY. That has been a longstanding debate. I have been in the network 20 years, and Nelda was there longer than I was, but personally serving a rural area, I agree that it is time we look at it. I serve an urban area of 50,000 people, if you want to call that urban, and certainly the challenges I have in Waterloo-Cedar Falls is not what I have in the counties where I have no physicians or grocery stores or pharmacies available. Because money comes solely on income and numbers of seniors, it really does not allow adequate funding to do the extra outreach and provision of services to those isolated seniors in rural areas.

The CHAIRMAN. Well, the question I asked, is it a subject of some controversy in your organization?

Ms. HARVEY. Yes.

The CHAIRMAN. Sorry to put you on the hot seat.

Ms. HARVEY. Oh, no, that's fine.

The CHAIRMAN. I am just trying to look at the inequities and what alternatives seniors might have when they live in different places, and I do not know what alternatives they would have in La Grande or in Iowa. You are from Iowa?

Ms. HARVEY. I am from Iowa. I might tell you, in Iowa we use some intergovernmental transfer funds, the dreaded word, but through those funds we build in a rural factor in the allocation, and it was extremely beneficial to the rural areas. Southwest Iowa is very, very poverty stricken, very few numbers of seniors, very few services, and for the first time they felt like they really received funding and they could do some creative program and meet greater needs of seniors. I think it is time that we look at that.

The CHAIRMAN. Does Missouri have any good ideas or Senator Talent, any questions?

Senator TALENT. Missouri has plenty of good ideas. I do not know about Missouri's junior Senator today.

You mentioned expanding 5310 formula grants to include assistance with operating costs such as vehicle maintenance, et cetera, But you also talked about the need to expand funding for Section 5310. Are there funds in that section now going unused because we do not have a broad enough definition, or is this a case where we are going to need additional funds, but then also allow them to be used for these transportation needs?

Ms. HARVEY. I believe it is where we are going to need additional funds. In a previous life I was a transportation provider, and it was always a challenge to look at those monies being primarily targeted toward capital replacement when in fact that may not be where your challenge was. It was really if you could expand services. Certainly the OATS system in Missouri is far and above some other services that other States have, but in Iowa it is a huge challenge.

When you see that we have decreased services to seniors and yet they are purchasing new vehicles, it does not seem to correlate.

Senator TALENT. Right. So we may need additional funding but we need to give the managers the flexibility to use that funding in a way that will meet the transportation needs the best.

Ms. HARVEY. Certainly, certainly.

Senator TALENT. I was going to raise the issue you raised, Mr. Chairman, because this goes to the heart of what I see as the ability to provide services to seniors, and in fact, really to all needy people in rural areas. I see it all the time in health care, for example. We can do wonders with rural health clinics, but if you cannot get people to the clinics that is a major problem.

So I think, notwithstanding the understandable maybe division within your organization, I think we need to look at this. Maybe some kind of an automatic surcharge, not surcharge but extra payment when fuel costs go above a certain amount for providers in rural areas because if they are not driving these folks around to get them from one place to another, there is nothing you can do in any of these areas.

Ms. HARVEY. Exactly.

Senator TALENT. I understand why you may not want to comment on that because the concern is that it will come out of somebody else's funding, but it is just so crucial in rural areas.

Ms. HARVEY. It truly is. If you think of the home care agencies that are facing the very same challenges, you know, how do you get to someone's home to provide homemaker services without incurring the extra gasoline costs for reimbursement.

Senator TALENT. It goes both ways.

Ms. HARVEY. Exactly.

Senator TALENT. In order to save money in other areas like to expand Tele-health, for example, which I think is hugely important for the seniors and everybody, but you have to get the patient to where they can set up the Tele-health, or even if you set it up in their home, you have to get the health care professional at least sometimes to that home.

Ms. HARVEY. Exactly.

Senator TALENT. So your transportation costs may be going up in efforts that will provide better care and lower cost as regards other programs.

Ms. BARNETT. Right.

Senator TALENT. That is a good point.

Thank you, Mr. Chairman.

The CHAIRMAN. We will take the controversy from your organization and bring it here. We are not used to controversy in the Senate.

Senator TALENT. We do not ever have to deal with that.

The CHAIRMAN. It is a very good idea, will—you have given us, all of you, have given us some ideas for when we take up the Older Americans Act reauthorization.

Thank you, Donna.

Jim, you have come a long way. The Oregon Trail is a long way between Washington, DC, and The Dalles, OR, and we appreciate your efforts to be here, so we invite your testimony now.

STATEMENT OF JIM SLUSHER, EXECUTIVE DIRECTOR, MID COLUMBIA COMMUNITY ACTION COUNCIL

Mr. SLUSHER. Thank you, Senator. Mr. Chairman, members of the committee, good afternoon. My name is Jim Slusher. I am the executive director for Mid Columbia Community Action Council.

We are a small, private nonprofit community action agency located in North Central Oregon, along the Columbia River Gorge. Our agency serves three rural counties, Hood River, Wasco and Sherman, with our mission being to eliminate the causes and conditions of poverty that exist in our area.

I am also here today representing Oregon's 18 community action agencies, and all of us want to let you know about the rising cost of energy for seniors and people with disabilities and the impact it has on their lives, not only from a financial standpoint but also from a health and safety issue.

In the past year our State has seen the price of home heating oil increase by at least 61 percent, natural gas prices by 18 percent just this past winter, coupled with another 18.7 percent increase just a few years ago. In addition, Oregon's two largest utilities have raised their rates between 16 and 20 percent, and currently have a request in to the Oregon Public Utility Commission for small rate increases this fall.

These continued rising energy costs have a dramatic effect on seniors' lives, as they are often faced with difficult choices between heating their homes, purchasing necessary prescription drugs, or eating healthy, balanced nutritious meals. I believe we can and should do something about seniors not having to worry about staying warm in the winter by providing more resources to help this growing demand.

In January Oregon's community action agencies produced a snapshot report on the status of the energy assistance situation. This report clearly shows that Oregon had over 25,000 households waiting for energy assistance, but the agencies had no money to help them, and many of these households are seniors.

My agency operates the Federal Low-Income Energy Assistance program—on the East Coast they call it LIHEAP, with the H; on the West Cost it is LIEAP—as well as Oregon's energy assistance program, OEA. This past year nearly 70 percent of our funds assisted senior or disabled households. This leaves very little funding for the general low-income population, for families who have children under the age of 6, over the age of 6, and many poor working households.

More seniors accessing the program has been a growing trend the past few years, and recognizing as more seniors continue to access the program, it will leave even less assistance available to the general population.

In addition to the Federal LIEAP dollars or about 23 million, Oregon raises an additional $15 million in energy assistance through our Low-Income Energy Assistance Meter Charge Program. Otherwise, Oregon's situation would be much worse than it currently is today.

I would like to thank Senators and Congressmen and women who have recognized the need for low-income energy assistance and

who have helped in the fight for more low-income energy assistance funding, which is sorely and desperately needed.

I want to personally thank Oregon Senators Gordon Smith and Ron Wyden for their hard work in fighting to get more low-income energy assistance funds released, thus allowing us to help thousands more people who would have otherwise gone without this assistance.

In closing I would like to leave you with this thought: what can Government do to help? We have a couple of obvious options: (1) work on getting the prices of energy lowered or reduced; or (2) by raising the amount of the current energy assistance budget to meet growing demand.

Thank you for allowing me to be here today to speak to you on the important issue of the dramatic rising costs of energy and its effect on low-income seniors, and I would also be happy to answer any questions that you may have.

[The prepared statement of Mr. Slusher follows:]

Testimony of Jim Slusher
Executive Director
Mid Columbia Community Action Council, Inc.
for the
Senate Special Committee on Aging

Members of the Committee Good Afternoon, My Name is Jim Slusher I am the Executive Director for Mid Columbia Community Action Council, Inc. A small private non-profit Community Action Agency located in North Central Oregon along the Columbia River Gorge. Our Agency serves three rural counties, with our mission being to alleviate the causes and conditions of poverty that exist in our area.

I am also here today representing Oregon's eighteen Community Action Agencies (CAA's) and we want to let you know about the rising cost of energy for Seniors and People with Disabilities and the impact it has their lives. Not only from a financial standpoint, but also from a health and safety issue.

In the past year our region has seen the price of home heating oil increase by at least 61%, natural gas prices by 18% just this past fall, coupled with another 18.7% increase just a few years ago. In addition Oregon's two largest electric utilities have raised their rates between 16%-20% and currently have requests into the Oregon PUC for small rate increases this fall.

These rising energy costs have a dramatic effect on senior's lives, as they are often faced with difficult choices between heating their homes, purchasing necessary prescription drugs or eating healthy balanced nutritious meals. I believe we can and should do something about seniors not having to worry about staying warm in the winter, by providing more resources to help this growing demand.

In January Oregon's Community Action Agencies produce a snapshot report on the status of the energy assistance situation. This report clearly shows that Oregon's has over 25,000 households waiting for assistance, but with no money to help them, and many of these households are seniors.

My agency operates the federal Low Income Energy Assistance Program (LIEAP) as well as Oregon's own Energy Assistance program (OEA) this past year over 68% of our funds assisted senior or disabled households. This leaves very little funding for the general low-income population for families who have children under the age of six in the household, over the age of six and many working poor households.

More seniors accessing this has been a growing trend the past few years and recognizing as more seniors continue to access the program, it will leave even less assistance for the general population.

In addition to the federal LIEAP dollars of about $23M, Oregon raises an additional $15 in energy assistance money through our low-income energy assistance meter charge, otherwise our situation would be much worse than it currently is.

I would like to thank the Senators and Congressmen who have recognized the need for low-income energy assistance and who have helped fight for more LIEAP funding, which is sorely needed.

I personally want to thank Oregon's Senators Gordon Smith and Ron Wyden for their hard work in fighting to get more LIEAP funds released, allowing us to help thousands more people who would have otherwise gone without.

In closing I would like to leave you with this thought, what can government do to help? We have a couple of obvious options, one, work on getting the prices of energy lowered or reduced, or two, by raising the amount of the current energy assistance budget to meet the growing demand.

Thank you for allowing me to be here today to speak before you on the important issue of the dramatic rising energy costs and it's effects on low-income seniors.

I would be happy to answer any questions you may have for me.

Jim Slusher, CCAP
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The CHAIRMAN. Thank you very much, Jim. Has demand for assistance for the elderly increased at a higher rate than other low-income segments of the population in the Mid Columbia——

Mr. SLUSHER. In my area it has. I actually started in this program in 1977 before it was Low-Income Energy Assistance Program, and over the years we have seen an increase in the number of seniors that are using the program and it is now as high as nearly 70 percent. So when I open my doors to the general public on December 1—because seniors are given priority, seniors and people with disabilities are given priority, and we open that program to them in November. When we open our doors December 1, that is open to the general population, and only 30 percent of the funds remain. That is including the $15 million that Oregon raises itself. So without that 15 million we would be severely hampered.

My agency was the front of the Oregon snapshot, when at 11 o'clock the night before, on November 30, we had people lined up at our door. When we opened our doors at 8 o'clock there were nearly 300 people standing in line to get assistance that had started from 11 o'clock the night before.

The CHAIRMAN. Whenever I drive through your community I marvel at that great hydroelectric dam there, and what a tremendous public asset that is. Do the seniors you serve understand the relationship of that dam and its non-use for creating energy much any more? Do they understand what that means to them?

Mr. SLUSHER. Well, I think they do when they get ready to go pay their energy bills. I think they understand that the price has gone up, that they are not as able to afford that as well as they had in the past because of the rising costs. So I think they know it is there, but it is not always of value to us to.

The CHAIRMAN. Is that a source of frustration to them like it is to me?

Mr. SLUSHER. I believe that it is too.

If I could expand just a little bit, one of the things from some earlier questions. Fifteen percent of the Low-Income Energy Assistance Program goes toward weatherization services, so we try to do a longer term effect. We also do energy education with our seniors and with people that are on the program as well, trying to teach them to reduce energy, reduce their energy consumption. It is one of the things that they do have some control over.

So in addition to trying to provide energy assistance, weatherization and some energy education to help them reduce their bills, but we have seniors that live on $774 a month Social Security. Their energy bill sometimes is as high as $200 a month. Luckily, this past winter was not a severe winter for us, but if you know anything about the Columbia River Gorge, it can be 114 or 115 in the summertime, and it can be 30-mile-an-hour freezing winds in the wintertime. So we do have extreme temperatures that require a lot of energy.

The CHAIRMAN. You no doubt see some very heart-rending cases of folks that live there, and I just applaud you for what you are doing and thank you for your public service.

Mr. SLUSHER. Thank you.

The CHAIRMAN. Senator Talent.

Senator TALENT. Since Mr. Slusher referred to it, and you said it also, Mr. Chairman, I just want to comment that it is important to focus on the fact that rising energy prices have a human cost. I think for a while people adopted almost an abstract view here toward energy, a kind of a "well, you know, if gas prices go up 50 cents that will cause investment in this area and that will be good for this reason and that reason," and a lot of people were speculating that high energy prices might actually be a good thing.

There is an enormous human cost to it in terms of lost jobs, and of course, as in everything else, whenever something gets harder, it is the people who are closest to the margin in the first place who suffer the most, which in many cases is seniors on a fixed income. So you all see it day to day, and I appreciate your raising that point with regard to hydro. I mean let us use the energy that we have, keep these costs as low as we can, and then keep the economy strong so we can help the needy.

The CHAIRMAN. The interesting thing about the hydro issue is they live where this tremendous hydroelectric dam is located, and under a Federal court order right now it is not allowed to operate like it certainly can. The Pacific Northwest is 70 percent dependent upon hydroelectricity, and so the order is in place to spill water over the dams so that the fingerlings can get spilled hundreds of feet as opposed to barged around. So when you spill you do not create energy, and there is a consequence to energy prices of the Pacific Northwest, which used to be a very, very good deal, now are frankly little different from other places in the country.

It is debatable whether it is helping fish or actually killing more fish, but I know it is hurting seniors and it is certainly hurting industries in his community that have shut down as a result of nonavailability of electricity. So the human cost to this is staggering in a community like The Dalles, OR, and it is a great tragedy. It is a human tragedy. Obviously, where there are alternatives for environmental mitigation we ought to pursue them, but sometimes we do not factor in the human price that is being paid, and it is very high, and in my view, higher than it needs to be.

Senator TALENT. I could not agree more. You sound like somebody from Missouri, Mr. Chairman. We have a very clear view on these things in Missouri.

The CHAIRMAN. Very, very frustrated.

Senator TALENT. The kind of things that will get us prosperity in the long run and help the needy in the long run are also better for the environment in the long run. You cannot have a poor country with high environmental standards, and we are getting off the subject of the hearing now, but I appreciate your comments, Mr. Chairman.

The CHAIRMAN. I think it is one of the reasons why an energy bill is important because it really does go to the bottom line as it impacts the most vulnerable of our citizens, and it is affecting them probably disproportionately.

You had a comment?

Mr. SLUSHER. Well, my comment was my mother lives in Missouri, so I am partially from Missouri.

Senator TALENT. Oh, Mr. Slusher.

Mr. SLUSHER. Sedalia.

Senator TALENT. Sedalia.

Mr. SLUSHER. Yes. She said, "My bill this last month, my electric bill was $195. Would you please tell those people to get the price of energy down?"

Senator TALENT. Yes, she is right.

Mr. SLUSHER. It is very high for this time of the year for her.

Senator TALENT. Do you get to visit very often?

Mr. SLUSHER. Every now and then.

Senator TALENT. Those beautiful wide streets and those great trees in Sedalia?

Mr. SLUSHER. Oh, you bet.

Ms. HARVEY. Good peaches.

Senator TALENT. Come sometime for the State fair.

Mr. SLUSHER. I have been there for that. Thank you.

Senator TALENT. You have to stay at your mom's house though because there are not any hotel rooms available. [Laughter.]

You are invited too, Mr. Chairman, we would love to have you.

The CHAIRMAN. I would love to come.

Nelda, Donna, Jim, thank you so much for traveling all this way to add I think measurably to the public record in the U.S. Senate, and in the Aging Committee we hold these hearings to put light and heat on issues of real urgency, and we have been speaking of one today. So to add to the debate on the energy bill, we have held this hearing and you have contributed tremendously. Thank you.

We are adjourned.

[Whereupon, at 4:10 p.m., the committee was adjourned.]

APPENDIX

PREPARED STATEMENT OF SENATOR TALENT

This is a timely hearing, as we are in the middle of debating an energy bill that we hope to pass this summer.

The hearing highlights an important issue—energy costs are too high for all Americans, and recent increases hit the elderly especially hard, as many are on fixed incomes.

This disproportionate impact makes imperative passing an energy bill that increases supply of conventional sources of energy while laying the foundation for increased use of new and renewable sources of energy to bring down the cost of energy.

The bill is being discussed on the floor even as we proceed with this hearing. If it passes, it would:

Increase the production of ethanol, both to reduce the cost of gasoline and also to create jobs and reduce our dependence on foreign oil.

Improve the reliability of our electric grid, so that we don't face blackouts when demand for electricity is at its highest.

Through conservation and efficiency measures, reduce demand for electricity by 50,000 MW by 2020, preventing the need for up to 170 300–MW power plants, and reduce the need for 1.1 trillion cubic feet of gas, both of which wil help keep energy prices down.

Encourage the development of renewable resources, clean coal, and nuclear power, which will provide cheaper and cleaner sources of energy.

Encourage the importation of liquefied natural gas (LNG) to increase natural gas supply, thereby reducing prices to heat homes and produce electricity.

Reduce the price of gasoline, natural gas, and home heating oil by allowing states to decide whether to allow drilling offshore to increase oil and gas supply.

Fund research and development for hydrogen as a primary energy source, new and more efficient lighting, and other innovative technologies.

These measures are our best hope to reduce the current cost of energy. Had we passed a bill four years ago when we first took up an energy bill, we may have avoided some of this supply-induced price spikes.

I look forward to hearing your ideas on helping our nation's seniors with respect to energy costs.

QUESTIONS FROM SENATOR TALENT TO MARGOT ANDERSON

Question. Has EIA factored into its figures increases in ethanol production and increased oil and gas drilling into its price projections?

Answer. EIA's *Annual Energy Outlook 2005 (AEO2005),* which was released on the EIA website on February 11, 2005, does factor increased production for ethanol into its price projections for transportation fuels. The *AEO2005* assumes that the United States will consume several billion gallons per year of renewables (mostly ethanol blended into gasoline) in transportation fuels and this number will increase by an average of 2.2 percent per year between 2003 and 2025. The price projections for transportation fuels using ethanol blends are highly dependent on the assumptions of the world price for crude oil. Currently, with West Texas Intermediate (WTI) crude oil priced at around $60 per barrel, the use of ethanol in gasoline actually lowers the pump price of blended gasoline since ethanol is less expensive than WTI. If crude oil prices were to decline to $25 (adjusted for inflation in 2003 dollars) per barrel in 2010 as the *AEO2005* assumes, then use of ethanol in gasoline would be expected to increase the pump price by a few cents per gallon.

Increases in oil and gas drilling are the result of growing demand for petroleum and natural gas as well as increasing crude oil and natural gas prices. In the very near term, end use prices will not be affected by current increases in drilling activ-

ity. However, the price incentives for increased exploration and drilling will add to productive capacity, increasing supply and thus relieving some of the upward price pressure caused by rising demand for fossil fuels.

Question. The studies you reference compare 2001 energy costs to those in 2005 and 2006 projections. How much more would LIHEAP funding have to increase in order to keep LIHEAP support comparable to levels in 2001? Would this level of funding fully meet the need in FY 2006?

Answer. It is difficult to determine what constitutes either "comparable" support or "fully" meeting needs in FY 2006. Between 2001 and 2006 fuel oil prices are projected to increase about 60 percent, natural gas prices about 21 percent, and electricity prices about 12 percent.

LIHEAP has historically provided a certain amount of energy assistance per household that covers some of the home energy costs. Whether increased funding would "fully meet the need" is difficult for EIA to answer since it raises many more questions about the goals of the program, eligibility, program effectiveness, etc., all of which are outside EIA's scope and fall within the purview of the Department of Health and Human Services, which adminsters the LIHEAP program.

QUESTIONS FROM SENATOR TALENT TO MS. BARNETT

Question. On p. 8 of your testimony, you mention that the proposed $2 billion budget would reach only 14% of the estimated 34 million eligible recipients, and that it would take $3 billion in FY 2006 to fund LIHEAP at 1982 levels. What level of funding would be required to meet the needs of all eligible recipients, after state and local help is factored in?

Answer. The most recent HHS LIHEAP estimates available show that there were 32,588,222 eligible households (averaging 2001, 2002 and 2003 data) and approximately 5,768,805 received assistance in 2003. The figure of $3 billion needed is based on a raw percentage of eligible households served in prior years. This figure cannot be used to estimate total funding needs in future years; states provide varying amounts of assistance and the number of eligibles is dependent upon local and national economic conditions.

The best estimates of the total number of eligible households can be found in the LIHEAP Report to Congress http://www.acf.hhs.gov/programs/liheap/cps—eligibles.htm). A 2002 AARP report entitled, "Energy and Telephone Assistance in the States" details how many individuals received various forms of assistance, and the states providing varying amounts of assistance for each category of assistance.

QUESTIONS FROM SENATOR TALENT TO MS. HARVEY

Question. On. p 7–8 of your testimony, you mention that Section 5310 formula grants should be expanded to include assistance with operating costs such as vehicle maintenance, insurance premiums, and volunteer recruitment and training. Are there Section 5310 funds that are now going unused because of the need to broaden the eligibility definition?

Answer. Section 5310 formula grant funds are not going unused. On the contrary, from what n4a has heard from Area Agencies on Aging and local transportation providers there is a need for additional funding and greater flexibility in the use of the funding to cover rising fuel costs and insurance premiums. While capital assistance funds are being fully utilized, many aging service providers have had to cut back transportation services and reduce the amount of rides they provide due to growing operating costs causing vehicles to remain idle when they could be more fully utilized if funds were better directed to areas of need.

Question. On p. 8 of your testimony, you mention that the Older Americans Act has been flat funded, though fuel costs have risen 74 percent over the last five years. What level of additional funding for the Older Americans Act would meet the needs, after LIHEAP and other programs are factored in?

Answer. As noted, from 2000 to April 2005, gasoline prices have skyrocketed by an average of $.95 a gallon, an increase of 74 percent, with retail prices rising from $1.28 to $2.24 a gallon. This year alone, gasoline prices have jumped an average of over $.40 a gallon. During this same time, Older Americans Act Title III appropriations which fund Area Agency on Aging transportation services and home-delivered and congregate nutrition programs have received relatively nominal increases and in many instances flat or reduced funding.

N4A believes that authorized funding levels of all the titles of the Older Americans Act need to be raised by at least 25 percent over five years to compensate for inflation and the rising costs of providing services. This increase is required to en-

sure that the nation has the necessary resources to adequately serve the projected growth in the number of older adults and is essential to meet the needs of the nation's aging baby boomers—with a baby boomer projected to turn age 60 and become eligible for Older Americans Act services every 7.7 seconds beginning January 1, 2006.